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DEPT FOR EUR/AGS, INR/EU, AND EUR/PPD FOR YVETTE SAINT-ANDRE

OSD FOR COMMANDER CHAFFEE

WHITEHOUSE FOR NSC/WEUROPE

E.O. 12958: N/A
TAGS: [OPRC](#) [KPAO](#) [AU](#)

SUBJECT: AUSTRIAN MEDIA HIGHLIGHTS: August 7, 2007

Bawag Trial Continues

1. All Austrian median continue to report on the trial of nine former managers of bank Bawag, which has entered its fourth week. The key question is why the bank under CEO Helmut Elsner gave co-defendant and former investment banker Wolfgang Floetl hundreds of millions of dollars in additional funds in the fall of 1998, following earlier disastrous losses from currency speculation. On Monday the presiding judge announced that the trial would be extended at least until the middle of November, says semi-official daily Wiener Zeitung. Centrist daily Die Presse, mass-circulation tabloid Kronen Zeitung and liberal daily Der Standard meanwhile focus on the fact that Guenter Weninger, a former president of the bank's board of directors, has accused former Union Federation (OeGB) boss Fritz Verzetnitsch, claiming he had been informed since 1998 about the huge losses the bank incurred because of Floetl's speculation deals." According to the Presse, Verzetnitsch could even be facing a prison term, should it turn out his statement before the parliamentary investigative committee was a lie that he had only been informed about the disastrous deals in December 2000.

Experts Oppose Early Tax Reform

2. Austrian financial experts have now joined in the debate over tax reform, warning such measures should not simply be brought forward, as the money needed to finance reform "must be earned first," ORF online news writes. The current positive economic trends could just as easily turn into an economic lull, which is why the budget would also have to be adapted. Furthermore, they argue that what is required is not just a "hasty" reduction of the tax burden, but general structural reform of the entire tax system.

The Shiites Are Gaining Ground

3. A feature article in semi-official daily Wiener Zeitung suggests that with Iran's growing influence, Shiites are experiencing a "renaissance." In Iraq in particular, Tehran appears to have become more influential than the United States, the daily says. Iran has clearly profited from the civil-war-like situation and the increasingly aggressive dispute between Sunnis and Shiites in Iraq, and as a result the Shiites' power in the region is growing. Even Washington has had to recognize the fact that Iran, in its role as a regional power, has been acting far more skillfully and gained much more support in Iraq than the US. It is therefore not only the Sunnis, who are deeply concerned about the possibility of Tehran emerging as the hub of a Shiite-controlled Middle East, says the

190,000 Weapons from the US Have Disappeared

¶4. ...headlines centrist daily Die Presse. The daily's Washington correspondent Norbert Rief reports that arms provided by the United States for the buildup and use of Iraq's military, police and security forces have most likely ended up in the hands of Iraqi rebels. Sourcing the Washington Post, Rief explains that about 30 percent of all handguns and semi-automatic rifles the US has delivered to Iraq since 2004 have disappeared without a trace. Presumably, Iraqi soldiers or police have been selling these weapons individually, and some units are even believed to have offered entire shipments of guns on the black market. It is therefore conceivable that Iraqi insurgents are fighting US troops with just those weapons designed to increase security and stability in the country, Rief says. The correspondent quotes an analyst from the Center for Defense Information as saying that Washington "has no clue where those guns are now," and adds that it appears the US is unwittingly supporting the Iraqi resistance with its own weapons.

Interview with Shimon Peres

¶5. In an interview with mass-circulation daily Kurier, Israel's new President Shimon Peres discusses his country's stance on Hamas and Iran, and Israel's image. Hamas, he says "does not want to talk to us! We removed the settlers and the soldiers from Gaza, but they continue with their attacks. If Hamas wants to talk, all they have to do is stop firing at us." The question of whether talks without Hamas are possible "is a decision that depends on the Palestinians. We'll negotiate with President Abbas. He was elected by 60 percent (of the voters) and represents all Palestinians." Abbas "can launch a political debate immediately, as early as today in Jericho. At the same time, economic progress is necessary. Today, political changes are triggered by economic development. Politics creates boundaries, while the economy governs relationships. Within this context, Hamas will be left behind isolated, and lose all support." Iran, says Peres, is "definitively" a threat to Israel: "President Ahmadinejad worships terror more than he does Allah. The destruction of Israel is more important to him than Iranian interests. This, however, boosts his opponents inside Iran. The banking boycott is having an impact already. That is why concerted action between the US, Russia and the EU is more important these days than their dialogue with Iran." Kilner